

**CITY OF WHEATLAND  
WHEATLAND, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2007**

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

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**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**OFFICIALS**

Name -----	Title -----	Term Expires -----
Jerry Bopp	Mayor	November 2007
Century Schnede	Council Member	November 2009
Julie Pracher	Council Member	November 2009
Steve Bachus	Council Member	November 2007
Kathy Rohling	Council Member	November 2007
Christy Stankee	Council Member	November 2007
C. Laurie Ganzer	City Clerk/Treasurer	Indefinite
John Peavey	City Attorney	Indefinite

# **O'CONNOR, BROOKS & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

G.L. HARDIN, CPA  
W.H. LEGLAR, CPA  
S.J. DOMEYER, CPA  
M.A. KUEPERS, CPA  
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M.P. RUGGEBERG, CPA  
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E.A. SCHILLING, CPA

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Wheatland, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wheatland's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2006.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2006, as discussed in the proceeding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining aggregate fund information of the City of Wheatland as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

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As described in Note 9, during the year ended June 30, 2007, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wheatland's basic financial statements. Other supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2006, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor, Brooks & Co., P.C.*

Dubuque, Iowa  
February 13, 2008

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Wheatland provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, and since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

**2007 FINANCIAL HIGHLIGHTS**

- The cash basis net assets of the City's governmental funds increased primarily due to anticipated projects for the City Hall building and the Fire Station not being completed.
- The cash basis net assets for the City's business type activities decreased primarily due to the construction of the wastewater treatment plant and higher operation costs for all funds.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements as well as other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **Basis of Accounting**

The city maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities of the City include water, sewer, garbage, and recycling. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of the funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund; 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, garbage, and recycling funds. The water, sewer and garbage funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$249,732 to \$275,378. The analysis that follows focuses on the changes in cash balances for governmental activities.

---

### Changes in Cash Basis Net Assets of Governmental Activities

---

	Year Ended June 30, 2007
Receipts:	
Program receipts:	
Charges for service	\$ 5,143
Operating grants, contributions, and restricted interest	85,242
Capital grants, contributions, and restricted interest	49,212
General receipts:	
Property tax	162,276
Local option sales tax	79,754
Unrestricted investment earnings	3,429
Miscellaneous	8,409
Total Receipts	<u>\$ 393,465</u>
Disbursements:	
Public safety	\$ 59,581
Public works	103,688
Culture and recreation	37,344
Community and economic development	37,956
General government	66,367
Debt service	62,883
Total Disbursements	<u>\$ 367,819</u>
Increase in Cash Basis Net Assets	<u>\$ 25,646</u>
Cash Basis Net Assets Beginning of Year	<u>249,732</u>
Cash Basis Net Assets End of Year	<u><u>\$ 275,378</u></u>

The cash basis net assets for the City's governmental funds increased primarily due to cancellation of maintenance projects scheduled for the Fire Station and City Hall buildings.



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Changes in Cash Basis Net Assets of Business Type Activities

---

	Year Ended June 30, 2007
	-----
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 67,090
Sewer	170,677
Garbage	38,962
Recycling	12,081
Operating grants, contributions and restricted interest	241,098
General Receipts:	
Unrestricted interest on investments	1,072
Debt proceeds	1,225,605
	-----
Total Receipts	\$1,756,585
	-----
Disbursements:	
Water	\$ 74,319
Sewer	1,742,684
Garbage	47,620
Recycling	29,339
	-----
Total Disbursements	\$1,873,962
	-----
Decrease in Cash Basis Net Assets	\$ (137,377)
	-----
Cash Basis Net Assets Beginning of Year	281,218
	-----
Cash Basis Net Assets End of Year	\$ 143,841
	=====

The cash basis net assets for the City's business type activities decreased primarily due to the construction of the wastewater treatment facility.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Wheatland completed this year, its governmental funds reported a combined fund balance of \$275,378, an increase of \$25,646 above last year's total. The following is the major reason for the changes in fund balances of the major funds from the prior year.

- The General Fund balance increased by \$35,383 from \$147,908 to \$183,291 primarily due to cancellation of maintenance scheduled for the City Hall and Fire Department buildings.
- The Road Use Tax Fund decreased by \$3,732 from \$93,288 to \$89,556 primarily due to higher fuel and utility expenses.
- The Debt Service Fund decreased slightly from \$1,004 to \$603.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund decreased by \$6,157 from \$74,641 to \$68,484 due primarily to an increase in operating expenses.
- The Sewer Fund decreased by \$105,304 from \$153,018 to \$47,714 due to reserve funds being used to defray the construction costs of the wastewater treatment facility.
- The Garbage Fund decreased by \$8,658 from \$34,255 to \$25,597 due primarily to greater volumes of refuse and higher fuel costs.

## **BUDGETARY HIGHLIGHTS**

The City amended its budget once during the fiscal year. The amendment was approved on April 19, 2007, to provide for receipt of sewer revenue bond proceeds and expenditures related to construction of the waste water treatment facility.

There were several variances between budgeted and actual receipts and disbursements. Charges for services varied significantly from the budgeted amount due to anticipated grant and bond proceeds that were reported incorrectly on the budget forms. Budgeted intergovernmental receipts included grant proceeds for the wastewater treatment facility. The receipt of the grant proceeds has been delayed. Disbursements in the business-type activities were less than budgeted due to delays in the construction of the wastewater treatment facility.

## DEBT ADMINISTRATION

At June 30, 2007, the city had \$1,447,711 in long-term debt, compared to \$288,946 last year, as shown below. The increase is the result of the issuance of the wastewater treatment facility revenue bonds.

Outstanding Debt at Year End		
	June 30,	
	2007	2006
General obligation bonds	\$ 242,106	\$ 288,946
Revenue bonds	1,205,605	---
Total	<u>\$1,447,711</u>	<u>\$ 288,946</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$242,106 is significantly below its constitutional debt limit of \$1.4 million.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Wheatland's elected and appointed officials considered many factors such as the economy, inflation and City needs when setting the fiscal year 2008 budget, tax rates and fees charged for various City activities.

Amounts available for appropriation in the operating budget for fiscal year 2008 are \$1,881,308. Budget disbursements in 2008 are expected to increase significantly due to the construction of a new wastewater treatment facility.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact C. Laurie Ganzer, City Clerk/Treasurer, P.O. Box 456, Wheatland, Iowa 52777.

**BASIC  
FINANCIAL  
STATEMENTS**

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental Activities:							
Public safety	\$ 59,581	\$ 334	\$ 16,878	\$ ---	\$ (42,369)	\$ ---	\$ (42,369)
Public works	103,688	---	64,342	---	(39,346)	---	(39,346)
Culture and recreation	37,344	2,600	3,136	---	(31,608)	---	(31,608)
Community and economic development	37,956	130	---	38,062	236	---	236
General government	66,367	2,079	886	---	(63,402)	---	(63,402)
Debt service	62,883	---	---	11,150	(51,733)	---	(51,733)
Total Governmental Activities	\$ 367,819	\$ 5,143	\$ 85,242	\$ 49,212	\$ (228,222)	\$ ---	\$ (228,222)
Business Type Activities:							
Water	\$ 74,319	\$ 67,090	\$ ---	\$ ---	\$ ---	\$ (7,229)	\$ (7,229)
Sewer	1,742,684	170,677	---	241,098	---	(1,330,909)	(1,330,909)
Garbage	47,620	38,962	---	---	---	(8,658)	(8,658)
Recycling	29,339	12,081	---	---	---	(17,258)	(17,258)
Total Business Type Activities	\$ 1,893,962	\$ 288,810	\$ ---	\$ 241,098	\$ ---	\$ (1,364,054)	\$ (1,364,054)
	\$ 2,261,781	\$ 293,953	\$ 85,242	\$ 290,310	\$ (228,222)	\$ (1,364,054)	\$ (1,592,276)

See notes to financial statements.

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>General Receipts:</b>							
Property tax levied for:							
General purposes					\$ 126,410	\$ ---	\$ 126,410
Debt service					35,866	---	35,866
Other city tax					79,754	---	79,754
Unrestricted interest on investments					3,429	1,072	4,501
Miscellaneous					8,409	---	8,409
Debt proceeds					---	1,225,605	1,225,605
<b>Total General Receipts</b>					<b>\$ 253,868</b>	<b>\$ 1,226,677</b>	<b>\$ 1,480,545</b>
<b>Change in Cash Basis Net Assets</b>					<b>\$ 25,646</b>	<b>\$ (137,377)</b>	<b>\$ (111,731)</b>
<b>Cash Basis Net Assets Beginning of Year</b>					<b>249,732</b>	<b>281,218</b>	<b>530,950</b>
<b>Cash Basis Net Assets End of Year</b>					<b>\$ 275,378</b>	<b>\$ 143,841</b>	<b>\$ 419,219</b>
<b>Cash Basis Net Assets:</b>							
Restricted:							
Streets					\$ 89,556	\$ ---	\$ 89,556
Employee benefits					1,928	---	1,928
Debt service					603	---	603
Unrestricted					183,291	143,841	327,132
<b>Total Cash Basis Net Assets</b>					<b>\$ 275,378</b>	<b>\$ 143,841</b>	<b>\$ 419,219</b>

See notes to financial statements.

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

	General	Special Revenue Road Use Tax	Debt Service	Other Non-major Special Revenue Fund Employees Benefits	Total
<b>Receipts:</b>					
Property tax	\$ 123,328	\$ ---	\$ 35,866	\$ 3,082	\$ 162,276
Other city tax	79,754	---	---	---	79,754
Licenses and permits	2,209	---	---	---	2,209
Use of money and property	5,947	82	---	---	6,029
Intergovernmental	58,076	64,342	---	---	122,418
Special assessments	---	---	11,150	---	11,150
Miscellaneous	9,629	---	---	---	9,629
<b>Total Receipts</b>	<b>\$ 278,943</b>	<b>\$ 64,424</b>	<b>\$ 47,016</b>	<b>\$ 3,082</b>	<b>\$ 393,465</b>
<b>Disbursements:</b>					
Operating:					
Public safety	\$ 59,535	\$ ---	\$ ---	\$ 46	59,581
Public works	33,069	68,156	---	2,463	103,688
Culture and recreation	35,324	---	---	2,020	37,344
Community and economic development	37,956	---	---	---	37,956
General government	62,210	---	---	4,157	66,367
Debt service:					
Principal	14,164	---	32,676	---	46,840
Interest and fiscal charges	1,302	---	14,741	---	16,043
<b>Total Disbursements</b>	<b>\$ 243,560</b>	<b>\$ 68,156</b>	<b>\$ 47,417</b>	<b>\$ 8,686</b>	<b>\$ 367,819</b>
<b>Net Change in Cash Balances</b>	<b>\$ 35,383</b>	<b>\$ (3,732)</b>	<b>\$ (401)</b>	<b>\$ (5,604)</b>	<b>25,646</b>
<b>Cash Balances Beginning of Year</b>	<b>147,908</b>	<b>93,288</b>	<b>1,004</b>	<b>7,532</b>	<b>249,732</b>
<b>Cash Balances End of Year</b>	<b>\$ 183,291</b>	<b>\$ 89,556</b>	<b>\$ 603</b>	<b>\$ 1,928</b>	<b>\$ 275,378</b>
<b>Cash Basis Fund Balances:</b>					
Reserved for debt service	\$ ---	\$ ---	\$ 603	\$ ---	\$ 603
Unreserved:					
General fund	183,291	---	---	---	183,291
Special revenue funds	---	89,556	---	1,928	91,484
<b>Total Cash Basis Fund Balances</b>	<b>\$ 183,291</b>	<b>\$ 89,556</b>	<b>\$ 603</b>	<b>\$ 1,928</b>	<b>\$ 275,378</b>

See notes to financial statements.

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH  
BALANCES - PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

	Water	Sewer	Garbage	Other Non-major Enterprise Fund Recycling	Total
	-----	-----	-----	-----	-----
<b>Operating Receipts:</b>					
Charges for services	\$ 67,090	\$ 170,677	\$ 38,962	\$ 12,081	\$ 288,810
<b>Operating Disbursements:</b>					
Business type activities	74,319	1,706,656	47,620	29,339	1,857,934
	-----	-----	-----	-----	-----
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	\$ (7,229)	\$(1,535,979)	\$ (8,658)	\$ (17,258)	\$ (1,569,124)
	-----	-----	-----	-----	-----
<b>Non-Operating Receipts (Disbursements):</b>					
Intergovernmental	\$ ---	\$ 241,098	\$ ---	\$ ---	\$ 241,098
Interest on investments	1,072	---	---	---	1,072
Debt proceeds	---	1,225,605	---	---	1,225,605
Debt service:					
Interest and fiscal charges	---	(36,028)	---	---	(36,028)
	-----	-----	-----	-----	-----
Net Non-Operating Receipts (Disbursements)	\$ 1,072	\$ 1,430,675	\$ ---	\$ ---	\$ 1,431,747
	-----	-----	-----	-----	-----
Net Change in Cash Balances	\$ (6,157)	\$ (105,304)	\$ (8,658)	\$ (17,258)	\$ (137,377)
Cash Balances Beginning of Year	74,641	153,018	34,255	19,304	281,218
	-----	-----	-----	-----	-----
Cash Balances End of Year	\$ 68,484	\$ 47,714	\$ 25,597	\$ 2,046	\$ 143,841
	=====	=====	=====	=====	=====
<b>Cash Basis Fund Balances:</b>					
Unreserved	\$ 68,484	\$ 47,714	\$ 25,597	\$ 2,046	\$ 143,841
	=====	=====	=====	=====	=====

See notes to financial statements.



**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 1 - Summary of Significant Accounting Policies:**

The City of Wheatland is a political subdivision of the State of Iowa located in Clinton County. It was first incorporated in 1865 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, garbage, and recycling utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Wheatland has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Clinton County Assessor's Conference Board, Clinton County Landfill Board, and the E911 Service Board.

**B. Basis of Presentation**

**Government-wide Financial Statement** - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**B. Basis of Presentation (Continued)**

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental funds and nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Special Revenue, Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**B. Basis of Presentation (Continued)**

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Garbage Fund is used to account for the operation and maintenance of the City's system of garbage collection and disposal.

**C. Measurement Focus and Basis of Accounting**

The City of Wheatland maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the debt service function.

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 2 - Cash and Pooled Investments:**

The City's deposits in banks at June 30, 2007, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**Note 3 - Bonds and Notes Payable:**

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending June 30,	General Obligation Notes	
	Principal	Interest
2008	\$ 43,609	\$ 13,618
2009	40,669	11,332
2010	32,164	9,403
2011	26,906	7,462
2012	21,000	6,123
2013-2017	77,758	10,391
Total	\$ 242,106	\$ 58,329

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 3 - Bonds and Notes Payable:**

*Sewer Revenue Bonds:*

On September 20, 2006, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority for the issuance of \$2,000,000 of sewer revenue bonds with interest at 3.0% per annum and a maturity date of June 1, 2027. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements to the City's sewer system. The City will draw down funds upon request to reimburse the City for costs as they are incurred. At June 30, 2007, the City had drawn \$1,225,605 of the \$2,000,000 authorized. A formal repayment schedule will be determined when the project is complete.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- b. The City shall establish, impose, adjust and provide for the collections of rates to be charged to customers of the Utility, including the City, to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Utility and to leave a balance of net revenues equal to at least 110% of the principal of and interest on all of the Bonds and any other Parity Obligations due in such fiscal year, as the same becomes due.
- c. Sufficient monthly transfers shall be made to a sewer revenue bond sinking account for the purpose of making principal and interest payments when due.

The City will begin making transfers to the Sinking Fund when a repayment schedule has been determined.

**Note 4 - Pension and Retirement Benefits:**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 4 - Pension and Retirement Benefits: (Continued)**

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2007 was \$6,081, equal to the required contributions for each year.

**Note 5 - 28E Agreements:**

As of June 30, 2007, the City was involved in the following 28E agreements:

In 1994, the City entered into a 28E Agreement with the Cities of Lost Nation, Olin, Oxford Junction, Wyoming, and Lowden, Iowa to provide for the sharing of equipment and supplies.

On July 1, 2002, the City entered into a 28E Agreement with Wheatland Emergency Services to allow for use of a City owned building.

On July 1, 2006, the City entered into a 28E Agreement with Clinton County, Iowa for the purpose of providing the City of Wheatland with law enforcement and community protection services.

On February 15, 2007, the City entered into a 28E Agreement with the Clinton Humane Society to care for pets delivered by the City of Wheatland.

**Note 6 - Compensated Absences:**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave and personal leave accumulates but is not payable upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
-----	-----
Vacation	\$ 2,986
	=====

The liability has been computed based on rates of pay as of June 30, 2007.

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 7 - Risk Management:**

The City of Wheatland is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past fiscal year.

**Note 8 - Construction in Progress:**

The City entered into construction and engineering contracts for the construction of the new waste water treatment facility in the amount of \$1,990,000. At June 30, 2007, \$1,590,300 of the construction and engineering contracts was completed. The remaining amounts will be paid as work on the project progresses.

**Note 9 - Accounting Change and Restatements:**

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2007. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**



**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007**

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
<b>Receipts:</b>						
Property tax	\$ 162,276	\$ ---	\$ 162,276	\$ 159,174	\$ 159,174	\$ 3,102
Other city tax	79,754	---	79,754	56,360	56,360	23,394
Licenses and permits	2,209	---	2,209	1,700	1,700	509
Use of money and property	6,029	1,072	7,101	4,900	41,944	(34,893)
Intergovernmental	122,418	241,098	363,516	75,693	113,649	249,867
Charges for services	---	288,810	288,810	1,548,090	1,548,090	(1,259,280)
Special assessments	11,150	---	11,150	---	---	11,150
Miscellaneous	9,629	---	9,629	250	250	9,379
<b>Total Receipts</b>	<b>\$ 393,465</b>	<b>\$ 530,980</b>	<b>\$ 924,445</b>	<b>\$ 1,846,167</b>	<b>\$ 1,921,167</b>	<b>\$ (996,772)</b>
<b>Disbursements:</b>						
Public safety	\$ 59,581	\$ ---	\$ 59,581	\$ 70,161	\$ 70,161	\$ 10,580
Public works	103,688	---	103,688	133,236	133,236	29,548
Culture and recreation	37,344	---	37,344	39,247	39,247	1,903
Community and economic development	37,956	---	37,956	10,000	47,956	10,000
General government	66,367	---	66,367	57,555	76,680	10,313
Debt service	62,883	---	62,883	44,062	44,062	(18,821)
Business-type activities	---	1,893,962	1,893,962	290,425	2,308,394	414,432
<b>Total Disbursements</b>	<b>\$ 367,819</b>	<b>\$ 1,893,962</b>	<b>\$ 2,261,781</b>	<b>\$ 644,686</b>	<b>\$ 2,719,736</b>	<b>\$ 457,955</b>

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007**

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 25,646	\$ (1,362,982)	\$ (1,337,336)	\$ 1,201,481	\$ (798,519)	\$ (538,817)
Other Financing Sources, Net	---	1,225,605	1,225,605	---	2,000,000	(774,395)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	\$ 25,646	\$ (137,377)	\$ (111,731)	\$ 1,201,481	\$ 1,201,481	\$ (1,313,212)
Balances, Beginning of Year	249,732	281,218	530,950	1,731,380	1,731,380	(1,200,430)
Balances, End of Year	\$ 275,378	\$ 143,841	\$ 419,219	\$ 2,932,861	\$ 2,932,861	\$ (2,513,642)

See accompanying independent auditor's report.

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY REPORTING  
JUNE 30, 2007**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,075,050. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the debt service function.

**OTHER  
SUPPLEMENTARY  
INFORMATION**

CITY OF WHEATLAND  
WHEATLAND, IOWA

SCHEDULE "1"

SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Notes:									
Sewer Improvement	December 20, 1995	5.25%	\$ 145,000	\$ 55,622	\$ ---	\$ 11,178	\$ 44,444	\$ 2,872	\$ ---
Street Improvement	March 1, 2000	6.00%	410,000	194,256	---	21,498	172,758	11,870	---
Fire truck	February 17, 2004	4.00%	70,000	39,068	---	14,164	24,904	1,302	---
Total				\$ 288,946	\$ ---	\$ 46,840	\$ 242,106	\$ 16,044	\$ ---
Revenue Bonds:									
Sewer Improvements	September 20, 2006	3.00%	\$2,000,000	\$ ---	\$1,225,605	\$ ---	\$1,225,605	\$ 12,542	\$ ---

See accompanying independent auditor's report.

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**BOND AND NOTE MATURITIES  
JUNE 30, 2007**

General Obligation Notes

Year Ending June 30	Water			Street Improvement			Fire Truck		
	Issued December 20, 1995			Issued March 1, 2000			Issued February 17, 2004		
	Interest Rates	Amount		Interest Rates	Amount		Interest Rates	Amount	Total
2008	5.25%	\$ 11,871		6.00%	\$ 17,000		4.00%	\$ 14,738	\$ 43,609
2009	5.25%	12,503		6.00%	18,000		4.00%	10,166	40,669
2010	5.25%	13,164		6.00%	19,000				32,164
2011	5.25%	6,906		6.00%	20,000				26,906
2012				6.00%	21,000				21,000
2013				6.00%	23,000				23,000
2014				6.00%	24,000				24,000
2015				6.00%	26,000				26,000
2016				6.00%	4,758				4,758
		\$ 44,444			\$ 172,758			\$ 24,904	\$ 242,106

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2007**

Grantor/Program	CFDA Number	Grant Number	Expenditures
-----	-----	-----	-----
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program	14.228	FY07	\$ 279,054
Environmental Protection Agency:			
Iowa Finance Authority:			
Clean Water State Revolving Funds	66.458	FY07	682,188
			-----
Total			\$ 961,242
			=====

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Wheatland and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# **O'CONNOR, BROOKS & CO., P.C.**

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor  
and Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Wheatland, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated February 13, 2008. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2006. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our report included an explanatory paragraph on the implementation of GASB Statements No. 34, 37, 38, and 41 and a disclaimer of opinion on the required supplementary information including Management's Discussion and Analysis.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Wheatland's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Wheatland's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Wheatland's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

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A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City of Wheatland's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Wheatland's financial statements that is more than inconsequential will not be prevented or detected by the City of Wheatland's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Wheatland's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07, I-C-07, and I-D-07 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wheatland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance and other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Wheatland's responses to findings identified on our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Wheatland and other parties to whom the City of Wheatland may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Wheatland during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa

February 13, 2008

# **O'CONNOR, BROOKS & CO., P.C.**

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor  
and Members of the City Council:

We have audited the compliance of the City of Wheatland, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. The City of Wheatland's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Wheatland's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Wheatland's compliance with those requirements.

In our opinion, the City of Wheatland complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

### **Internal Control Over Compliance**

The management of the City of Wheatland is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct

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and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Wheatland and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor, Brooks & Co., P.C.*

Dubuque, Iowa

February 13, 2008

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**Part I: Summary of the Independent Auditor's Results:**

- a) Qualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including three material weaknesses.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) The major program was CFDA Number 66.458 – Clean Water State Revolving Funds.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
  - i) The City of Wheatland did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**Part II: Findings Related to the Financial Statements: (Continued)**

**SIGNIFICANT DEFICIENCIES:**

II-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual at the City has custody of receipts and performs all recordkeeping and reconciling functions for the accounts.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain maximum internal control possible under the circumstances.

Response - The City Council feels they have segregated duties to the extent possible with the existing personnel.

Conclusion - Response accepted.

II-B-07 Deface Voided Checks - Voided checks are not being defaced or otherwise rendered unusable; thus creating a potential for someone who can gain access to the check to misappropriate cash by completing the data on the check for fraudulent purposes.

Recommendation - To reduce this risk we recommend that all voided checks be properly defaced to ensure that they could not be improperly completed and cashed.

Response - We will deface all voided checks.

Conclusion - Response accepted.

II-C-07 Authorized Check Signers - The authorized check signers on one of the City's checking accounts includes an individual who is not an employee/Council member.

Recommendation - Depository information should be updated to include only current employees/Council members as authorized check signers.

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**Part II: Findings Related to the Financial Statements: (Continued)**

Response – We will update the depository information.

Conclusion - Response accepted.

II-D-07 Adjusting Journal Entries - Several adjusting journal entries were proposed to management to represent a fair presentation of the financial statements. Significant adjustments included the sesquicentennial checking account and sewer grant and loan proceeds.

Recommendation - We recommend that the District implement procedures to reasonably assure that account balances are fairly stated.

Response - We will consider this.

Conclusion – Response accepted.

II-E-07 Utility Deposits - Utility payments received after the 16<sup>th</sup> day of the month are not being deposited in a timely manner.

Recommendation - All monies received should be deposited daily.

Response - We will investigate this.

Conclusion – Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

No matters were reported.

**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-07 Certified Budget - Disbursements during the year ended June 30, 2007, exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

IV-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-07 Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations

IV-F-07 Council Minutes - The hourly wage of one employee was increased prior to the date approved in the minutes by the City Council.

Recommendation - The effective date of wage changes should be monitored closely to ensure the proper rate is paid to each employee.

Response - We will closely monitor all wage changes.

Conclusion - Response accepted.



**CITY OF WHEATLAND  
WHEATLAND, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-G-07 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-07 Retention of Electronic Records - Electronically retained check images (both front and back) were not being kept by the City in accordance with Chapter 554D.1114(s) of the Code of Iowa.

Recommendation - The City should contact their financial institution to inquire about availability of electronically retained check images.

Response - We have contacted the financial institution and will begin receiving electronic check images including both the front and back.

Conclusion - Response accepted.

IV-I-07 Annual Financial Report - The Annual Financial Report was filed by December 1 as required by Chapters 384.22 of the Code of Iowa. However, the Annual Financial Report does not agree in total to the financial statements and there are several variances in the receipts and disbursements line items

Recommendation - The City should contact the Auditor of State to determine what corrections are necessary.

Response - We will contact the Auditor of State to determine the necessary corrections.

Conclusion - Response accepted.